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SUBJECT: Jordan's Trade Deficit Hit High of \$9.1 Billion in 2008,  
Nearly One-Half of GDP

Refs: A) Amman 472  
B) Amman 460  
C) Amman 433  
D) Amman 226

¶1. (U) Summary: Jordan's trade deficit hit a historic high of \$9.1 billion in 2008, compared to \$8 billion in 2007 and \$2.7 billion in 2000 when Jordan joined the World Trade Organization (WTO) and signed the U.S.-Jordan Free Trade Agreement. The upward trend is attributed to strong import growth that has outpaced exports. Some view this as in line with significant economic and population growth over the past few years, which has led to greater need for imported energy products, food, and manufactured goods. As a percentage of GDP, the trade deficit has hovered between 42-49% since 2005.

¶2. (U) In 2008, export growth of 36% led to total exports of \$7.8 billion but this was still not sufficient to balance imports of \$16.1 billion. Significant increases in the value of some exports (i.e., potash and phosphates) and imports (i.e., crude oil and cereals) were due mainly to spikes in global commodity prices, rather than increases in production or volume. Jordan's top three import markets in 2008 were Saudi Arabia, the EU (particularly Germany), and China. Leading export markets were India, the U.S. and Iraq. The worldwide economic slump contributed to a 15% decrease in Jordan's top export of apparel, which represents the majority of total Jordanian exports to the United States. As a result, total U.S. trade with Jordan dropped slightly for the first time in a decade to \$1.825 billion in 2008, despite a 22% increase in Jordanian imports of U.S. goods, according to GOJ statistics. The GOJ has predicted that export growth will be restrained in 2009 due to falling commodity prices and weaknesses in Jordan's main export markets (ref A). As long as oil prices remain low, Jordan's import bill may also contract in 2009, possibly helping to narrow the trade deficit. Detailed trade statistics are provided in paragraph 13. End Summary.

Trade Deficit Continues to Grow

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¶3. (U) Jordan's Department of Statistics reported strong export growth of 35.9% that led to total Jordanian exports of \$7.8 billion in 2008, compared to \$5.7 billion in 2007 and \$1.9 billion in 2000. Apparel still ranked as Jordan's top export at \$1.012 billion in 2008, primarily to the U.S., but this represented a 15% decrease from 2007 due to a decline in American demand for garments (ref D). Significant increases in the value of Jordan's exports of potash, phosphates, and fertilizers were largely due to skyrocketing worldwide prices during the first three quarters of 2008 rather than increases in production or volume. Pharmaceutical exports also grew 18.1% to \$498 million, primarily to Saudi Arabia and Algeria, although pharmaceutical manufacturers had hoped for larger export figures in 2008. Vegetable exports rose 5.4% to \$391 million.

¶4. (U) Jordan's imports totaled \$16.91 billion in 2008, compared to \$13.73 billion in 2007 and \$4.6 billion in 2000. Due to the increase in worldwide fuel prices during the first three quarters of 2008, the value of crude oil imports mostly from Saudi Arabia rose 31.3% and cost Jordan \$2.716 billion, representing about 16% of Jordan's total imports. Other leading imports included machinery and electrical appliances, vehicles, iron, and cereals, which also tripled prices during the first three quarters of 2008.

¶5. (SBU) Jordanian imports ended up far outweighing exports and resulted in a \$9.1 billion trade deficit in 2008, 14% larger than \$7.8 billion in 2007. Given strong economic growth over the past few years, the trade deficit as a percentage of GDP has hovered between 42 - 49% since 2005, compared to 31% in 2000. One official at the Ministry of Industry and Trade (MOIT) highlighted that imports of machinery and capital products are important inputs for growing industrial sectors which Jordan cannot produce. She added

that the rise in Jordan's population in part due to large numbers of Iraqi refugees has also increased the need for imported energy and food products. Despite the negative trade balance, MOIT has made the case that Jordan has maintained a sustainable balance of payments from services exports (tourism), Jordanian expat remittances and private financial flows, namely foreign direct investments.

#### Trading Markets: Arab Region Remains on Top

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¶6. (U) The Greater Arab Free Trade Area (GAFTA) countries continue to provide Jordan's strongest import-export market. Saudi Arabia, which is part of the GAFTA, was Jordan's top bilateral trading partner in 2008. Jordan imported \$3.65 billion from Saudi Arabia, about two-thirds of which was crude oil. Jordan exported over \$477 million to Saudi Arabia, which provides a market for Jordanian pharmaceuticals, paper products, and building stone.

¶7. (SBU) Having faltered in 2003 due to the Iraq war, Jordanian domestic exports to Iraq continued to rebound in 2008 by growing 51.4% to \$809 million, compared to \$534 million in 2007 and \$462 million in 2006. According to MOIT, primary exports to Iraq in 2008 included aluminum containers, tomatoes, bottled mineral and aerated water, cables in electric conductors, sanitary towels and napkins, cigarettes, and other food and vegetable products. The quantity of Iraqi crude oil that has reached Jordan remains minimal (ref C). The Iraqi-Jordanian Land Transportation Company, which had historically transported most of the oil from Iraq into Jordan, has been under liquidation since 2008 due to losses attributed to the security situation in Iraq. Other Jordanian companies have also claimed that security continues to present significant logistical issues and increase shipping costs, thereby hindering bilateral trade. The Jordanian government has been exploring other ways to encourage business with Iraq, in part by easing entry and residency regulations for Iraqi business people and investors (ref B).

#### Importing More from EU and China

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¶8. (U) Even though European products were relatively expensive in 2008 due to the strength of the Euro compared to the dollar (against which the Jordanian dinar is pegged), Europe's proximity to Jordan and longstanding business relationships led to a 5.9% increase in Jordanian imports from the EU totaling \$3.54 billion. In particular, imports from Germany reached over \$1 billion. Jordanian

exports to the EU remained minimal at \$257 million, which the GOJ has attributed in part to unfavorable terms in the EU Association Agreement with Jordan.

¶9. (U) Jordan also increased its imports from China 33.8% to reach \$1.75 billion in 2008, compared to \$1.3 billion in 2007. Around one-quarter of Jordan's imports from China have been textiles and fabrics for the garment industry. Other primary imports from China include industrial appliances, furniture, vehicles and parts thereof, organic chemicals, and toys. When combined with Jordanian exports to China of \$110 million, bilateral trade between Jordan and China totaled \$1.867 billion, just surpassing Jordan's bilateral trade of \$1.825 billion with the U.S., according to GOJ statistics. NOTE: GOJ figures differ slightly from USITC figures, which show total U.S.-Jordan trade to be \$2.079 billion in 2008. END NOTE.

#### Total U.S. Trade with Jordan Decreased in 2008

¶10. (U) The GOJ reported that U.S.-Jordan two-way trade dropped 3% from \$1.873 billion in 2007 to \$1.825 billion in 2008. This was the first time our bilateral trade had fallen since 1998, when it was a mere \$393 million according to GOJ figures. The decline is attributed to the 15.9% decrease in Jordanian exports to the U.S., which totaled \$1.05 billion in 2008, compared to \$1.24 billion in

¶2007. As a result, India surpassed the U.S. as Jordan's largest export market in 2008. NOTE: Exports to India increased 173% mostly due to increases in prices (not volume) of fertilizer, potash and phosphates. END NOTE. Over 85% of Jordanian exports to the U.S. were garments, highlighting the need for greater diversification of Jordanian exports to the United States. Other top Jordanian exports to the U.S. included jewelry, air conditioners and machinery, and pharmaceuticals.

¶11. (U) Although bilateral trade suffered from the drop in Jordanian exports to the U.S., the GOJ recorded a 22% increase in imports of American goods which reached \$776 million in 2008. Top U.S. imports included vehicles, electrical machinery, and cereals. American agricultural exports to Jordan totaled \$181 million, including rice (\$77 million), corn (\$29 million), soybean oil (\$16 million), almonds (\$5.4 million), and poultry products (\$5 million). Cheese also jumped from historic zero levels to \$3 million.

#### Future Predictions

¶12. (SBU) The GOJ has predicted that export growth will be restrained significantly in 2009 due to the effects of the global economic slowdown (ref A). Continued weakness in the garment sector and falling commodity prices, which will hit the value of Jordan's potash and phosphate exports, will most likely contribute to the decline of exports. Potential increased trade with Iraq might help off-set this slightly. Although Jordan has viewed its pharmaceutical industry as a rising export star, the recent closure of the Algerian market to foreign drug manufacturers has caused more conservative export growth estimates for this sector in 2009. Jordan's import bill may also contract in 2009 as long as crude oil prices remain low. As a result, some economists have argued that Jordan's trade deficit could narrow slightly in 2009, but it would be more a result of shifts in global commodity prices rather than economic reform or increases in export production.

¶13. (U) Jordan 2008 Trade Statistics  
Source: GOJ Department of Statistics

	JD	USD	Growth Average
Trade Balance:	-6.451 BN	-9.1 BN	14.0%
IMPORTS			
Total Imports:	11.974 BN	16.91 BN	23.2%
Types of Imports:			
- Crude Oil:	1.923 BN	2.72 BN	31.3%
- Machinery/Parts:	1.019 MN	1.44 BN	23.1%
- Machinery,			

Electrical Appliances:	897 MN	1.27 BN	6.8%
- Vehicles,			
Motorcycles, Parts:	834 MN	1.18 BN	20.2%
- Iron and Products:	789 MN	1.11 BN	51.9%
- Cereals:	634 MN	895 MN	17.9%

#### Markets for Imports:

- GAFTA:	3.994 BN	5.64 BN	24.4%
- incl Saudi Arabia	2.584 BN	3.65 BN	28.3%
- Asian countries:	3.458 BN	4.88 BN	28.6%
- incl China:	1.242 BN	1.75 BN	33.8%
- EU:	2.505 BN	3.54 BN	5.9%
- incl Germany:	717 MN	1.01 BN	-1.0%
- NAFTA:	618 MN	873 MN	23.5%
- incl U.S.	549 MN	776 MN	22.3%

#### EXPORTS

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Total Exports:	5.523 BN	7.8 BN	35.9%
- of which National	4.384 BN	6.19 BN	37.7%
- of which Re-export	1.139 BN	1.61 BN	29.4%

#### Types of Exports:

- Apparel:	716 MN	1.012 BN	-15.0%
- Fertilizers:	598 MN	845 MN	117.2%
- Crude Potash:	545 MN	770 MN	139.8%
- Crude Phosphates:	369 MN	522 MN	167.0%
- Pharmaceutical	353 MN	498 MN	18.1%
- Vegetables	277 MN	391 MN	5.4%

#### Markets for Exports:

- GAFTA:	1.723 BN	2.43 BN	29.8%
- incl Iraq	573 MN	809 MN	51.4%
- Asian countries:	1.467 BN	2.07 BN	116.4%
- incl India:	908 MN	1.28 BN	173.2%
- NAFTA	745 MN	1.05 BN	-15.8%
- incl U.S.	736 MN	1.04 BN	-15.9%
- EU:	182 MN	257 MN	64.9%
- Algeria:	94 MN	132 MN	44.1%

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